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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 001493

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SUBJECT: BOUCHER DINNER WITH PAKISTAN MUSLIM LEAGUE-NAWAZ

Classified By: Ambassador Anne W. Patterson for reasons 1.4 (b)(d)

11. (C) Summary. During a dinner hosted by the Charge, Assistant Secretary for South and Central Asian Affairs Richard Boucher discussed challenges facing the new Pakistani government with leaders of the Pakistan Muslim League-Nawaz. Finance Minister-designate Dar outlined steps the new government would take to raise the minimum wage and pay farmers higher rates for wheat. Dar will be in Washington in April for the annual World Bank meetings. Petroleum Minister-designate Asif welcomed a U.S. Geological Survey aerial mineral mapping survey that the former government had rejected. Senior Minister-designate Nisar Ali Khan expressed concern about what he described as Washington's misperception about his party's ties to extremists. Boucher reviewed U.S. support for a broad based anti-terror agenda, for parliamentary consideration of restoration of the judiciary and our support for oversight by the parliament over the defense budget. End Summary.

12. (C) Assistant Secretary Boucher met over dinner at the Charge's residence with Pakistan Muslim League-Nawaz (PML-N) minister-designates Chaudhry Nisar Ali Khan (Senior Minister/Communications), Khawaja Muhammad Asif (Petroleum and Natural Resources) and Ishak Dar (Finance and Economic Affairs). Polcouns attended as notetaker.

13. (C) The majority of the discussion focused on economic challenges facing the new coalition government. Dar noted that he had already met with World Bank officials and planned to attend the annual World Bank meetings in Washington in April. He did not yet know the full extent of the current account deficit or the increase in imports, but he suspected both would be bad news. Dar confirmed the new government would increase the minimum wage and the payment that farmers received for wheat sales. Asif lamented that worldwide increases in commodity prices, especially oil, would limit the new government's ability to help the common man cope with rising fuel and food inflation. On energy, Pakistan has extensive coal resources, but the coal is of poor quality. Hydro projects remain politically difficult to implement and will take years. Even the proposed gas pipeline with Iran, said Asif, would not produce results for several years.

14. (C) Boucher said the U.S. understands the challenges ahead would be daunting but cautioned that working with Iran would undermine our shared non-proliferation objectives. Charge explained U.S. Government dismay that the former government had rejected our offer to have the U.S. Geological Survey map the entire country, including its mineral deposits, via an

aerial survey. Asif expressed immediate interest and said he would raise this issue with the Prime Minister; Pakistan needed this kind of information to make informed decisions about the future.

15. (C) Turning to the issue of the deposed judiciary, Khan asked for U.S. views. Boucher responded that the U.S. believed this issue should be addressed by the Pakistani parliament. We supported an independent judiciary and had urged President Musharraf to release the detained judges. However, we did not support the reinstatement of any particular person.

16. (C) Khan also asked if the U.S. would object if the new parliament scrutinized the defense budget. Boucher assured him that this kind of review is central to the democratic process; the U.S. Congress certainly reviews our defense budget and we would expect the new Pakistani parliament to take its oversight responsibilities seriously.

17. (C) After waiting through most of dinner, Khan then raised the issue that clearly concerned him most. The U.S., he claimed, had unfairly identified the Pakistan Muslim League-Nawaz as a party of mullahs and extremists. History shows that this is not the case, said Khan. He cited Nawaz Sharif's decision to send Pakistani troops to the first Gulf War despite domestic opposition, the extradition of a Pakistani who shot several intelligence agents in Virginia, his work with then President Clinton to pull Pakistan back from the brink of nuclear conflict with India over the Kargil affair, and his decision not to sell nuclear weapons technology. His party, said Khan, has been disappointed and hurt by statements from Washington that indicate it doesn't

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appreciate all the support the party has provided to America over the years. The Pakistan Muslim League-Nawaz was a party that opposed extremism, supported privatization, and opened relations with India.

18. (C) Boucher said the U.S. recognized how we had worked together in the past. The current problem in Washington was Nawaz Sharif's continuing focus only on Musharraf and events of the past. Pakistan is facing too many challenges to only look back, said Boucher. It was time to look forward, put aside any past differences and together address Pakistan's future. We wanted to work with all parties in the new coalition government, but found the PML-N focus on revenge to be unhelpful. Khan said he appreciated the frankness of the exchange and said he looked forward to working together on shared objectives with the U.S.

19. (U) Assistant Secretary Boucher cleared this message.
PATTERSON